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profile

RNC Gold Inc. is a gold mining company focused on projects in Central America. From its current production capacity base of 110,000 ounces of gold, RNG is positioned for growth through operational efficiencies, exploration potential at its present properties, through construction of new mines plus the acquisition of new projects. The Company's main assets include the La Libertad and Bonanza gold mines in Nicaragua, the Cerro Quema development project in Panama and the Pichachos exploration property as well as an option to acquire 25% of the San Andres gold mine in Honduras.

RNC Gold Inc. Reserves and Resources

Category	Tonnes	Au (g/t)	Ounces Contained	Tonnes Waste	Cutoff grade (g/t) Au	Strip Ratio
Proven and Probable						
Hemco (Bonanza)	298,795	6.99	57,091			
Desminic (La Libertad)	8,570,973	2.47	588,607	51,299,385	0.65	5.99
Cerro Quema (La Pava Pil)	6,647,472	1.13	240,424	6,049,297	0.40	0.91
Total			896,122			
Measured and Indicated Resources (Include reserves)						
Hemco	3,902,200	3.78	473,923			
Desminic (La Libertad)	26,612,278	1.45	1240,645		0.50	
Cerro Quema (La Pava and La Quemita)	15,856,968	0.91	184,744		0.30	
Total			2,179,313			
Inferred Resources						
Hemco	25,154,546	1.19	964,471			
Desminic (La Libertad)	5,467,119	1.23	136,745		0.30	
Cerro Quema (La Pava and La Quemita)	2,131,596	0.50	34,185		0.30	
Total			1,135,371			

During the second quarter of 2004, RNC Gold recalculated its reserves at the US\$575 per ounce level. As a result, the Company has proven and probable reserves of 896,122 ounces, measured and indicated resources of 2.2 million ounces and inferred resources of 1.1 million ounces.

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| letter to shareholders |

RNC Gold became a public company in December 2003 with a vision to quickly become a profitable and growing gold producer with a focus in Central America. As such, this letter will not extensively cover the subject of our operations as a private company in 2003 but will concentrate on our plans for 2004 and beyond.

We are implementing a growth strategy that features a number of important corporate and operational initiatives. On the corporate side, much of our effort has been and will continue to be on securing full ownership of all our producing assets in order to make our corporate structure transparent and easily understood. As a result, we were able to announce in April of 2004 that we signed letters of intent to increase our ownership in the Bonanza mine in Nicaragua to 100% from 80%. At the same time, we announced the acquisition of the rights to a highly prospective concession within our 100% owned La Libertad property and the raising of our interest in the Cerro Quema gold property in Panama and the Picachos gold/silver exploration property to 60% and 75% respectively. Ultimately, we intend to own 100% both Cerro Quema and Picachos.

An important complement to RNC's strategy to eliminate the minority interests in our assets and to grow further is the ability to fund appropriate transactions. RNC was able to successfully return to the capital markets in April 2004. As a result, we raised more than C\$20 million and welcomed many important new shareholders to our investor base. With these proceeds and the cash generated from our producing mines, we are confident that the Company has sufficient financial flexibility as it moves forward.

On the operations side, we have concentrated on ramping up production at La Libertad; at full capacity the mine is expected to produce approximately 80,000 ounces of gold per year; by the end of the first quarter of 2004, RNC had produced 13,412 ounces at this mine. For all of 2003, La Libertad produced 24,229 ounces. More details regarding the operations of La Libertad, as well as our other assets, are found in the operations section that follows this letter. We are also working hard to contain costs; our estimated total cash cost per ounce at La Libertad is expected to be \$225 in 2004. Most of 2004's production from the mine will be used to eliminate the remaining price protection contracts that RNC was required to put into place in order to finance the rehabilitation of La Libertad. Once these contracts are satisfied, the Company intends to sell all production at spot rates.

Our other producing asset, the Bonanza mine, continues to perform to expectations. Bonanza has been in continuous production since the 1940's. Although output has varied over the years, RNC management believes that the current production of approximately 30,000 gold ounces per year is sustainable and is likely to be increased modestly to the 34,000 to 36,000 ounces per year range.

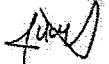
While we are pleased that our efforts at La Libertad and Bonanza are meeting with success, we have ambitious plans to increase the value of the Company. Initially, we will do this by more than doubling production over the next two years. By the end of 2004, we will have begun construction on Cerro Quema in Panama. At full production, this mine is expected to have output of 48,000 gold ounces per year; production will begin in late 2005.

RNC also holds an option to acquire 25% of the producing San Andres Mine in Honduras as well as the right of first refusal to acquire the remaining 75%. The current owner of San Andres is a banking institution with which RNC has a strong existing relationship. San Andres produces approximately 75,000 ounces per year and management is actively considering alternatives with a view to bringing this asset into RNC's portfolio.

When the expected combined production of La Libertad (80,000 ounces per year), Bonanza (35,000 ounces per year), Cerro Quema (48,000 ounces per year) and San Andres (75,000 ounces per year) is taken into consideration, RNC's production is forecast to rise to more than 230,000 ounces per year. This figure more than doubles the expected 100,000 ounces of production from La Libertad and Bonanza in 2004.

At the end of 2003, RNC had 896,000 ounces of reserves and 2,179,000 ounces of resources. RNC owns significant land positions around its existing mines, much of it unexplored. The 2004 exploration plans at La Libertad will focus on maintaining the current 588,000 ounces of proven and probable reserves as well as initiating a drill program near the recently acquired Santo Domingo property. At Bonanza, the continued underground exploration program will be supplemented by an investigation of bulk mineable targets near the current mine infrastructure. Additionally, the Picachos gold/silver property in Durango State, Mexico holds significant exploration potential. RNC acquired this property upon the merger with Tango Resources to obtain our public listing. We plan to begin an initial program at Picachos in late 2004.

In light of all the initiatives we are undertaking in 2004, the entire RNC team and I look forward to the future with great anticipation. Throughout the year we will provide shareholders with updates on our progress. On behalf of our employees and the Board of Directors of RNC, let me thank you for investing in our Company.



J. Randall Martin

President and Chief Executive Officer

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[operations]

During 2003, RNC's team primary focus was on implementing a program of operational improvements to its operating mines in Nicaragua, La Libertad and Bonanza. In the section that follows, highlights of the improvements are summarized.

LA LIBERTAD GOLD MINE

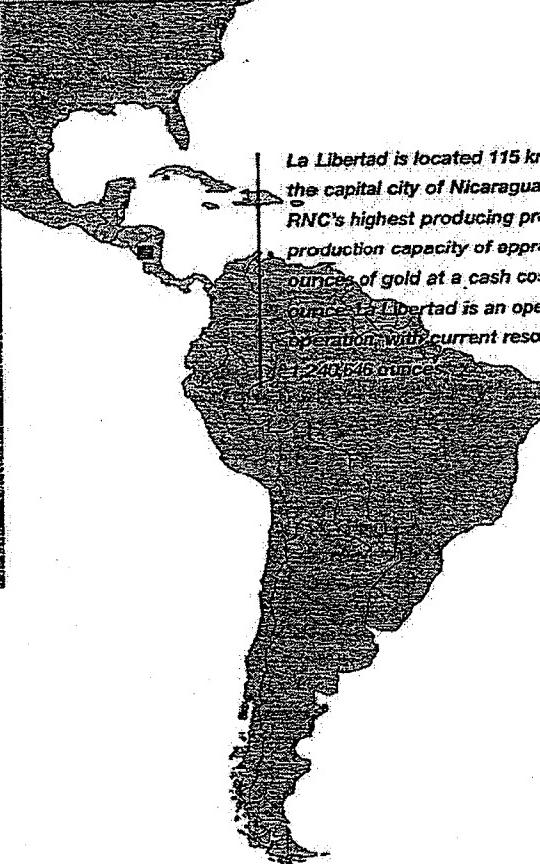
RNC's team at La Libertad used 2003 to make a number of key operational improvements that will see production ramp up to its capacity of approximately 80,000 ounces per year within 2004. Among the enhancements at La Libertad were:

Rebuilding and Adding to the Mobile Fleet

An aggressive rebuild program for the mobile fleet began in December of 2002 with gold production recommencing in March 2003. Ongoing maintenance, due to normal wear and tear, continues. Additional mobile equipment was purchased in 2003 and arrived on site in November including four D400 Caterpillar articulated haul trucks (40-tonne capacity trucks), one 345L Caterpillar excavator, and three D250 Caterpillar articulated haul trucks (20-tonne capacity).

Crushing Plant/System Upgrades:

The tertiary cone crusher was commissioned in April 2003. The cone was designed to operate in the parameters of producing a product of 80% passing 1.5". The crushing run line was engineered to allow the use of the cone crusher or



the sizer; as needed. During maintenance, or while processing clay-bearing material, the cone is pulled out of the run line and replaced by the sizer. Records show that the crushed product for 2003 was 78.2% passing 1.5". A new gearbox reducer was installed on the agglomerator in November 2003. The Cummings diesel motor that drove the cone crusher was replaced with a more efficient 150HP electric motor.

Metallurgical/Recovery Improvements:

Several tests were conducted in 2003 to maximize gold recoveries from the Cerro Mojón pit ore. Belt application of cyanide in conjunction with agglomeration and through spray bar additions at various volumes and concentrations were tested. It was deemed that cyanide application to crushed ore at the rate of 0.35 kg cyanide per tonne of crushed ore applied at a ratio of 75% in the agglomerator and 25% application through spray bars provide the best results. Stacked ore is leached with 350 ppm cyanide solution at a rate of 0.006 gpm/ft².

Leach curves reveal that recoveries of gold from the heap are quick. On average, recovery curves flatten after 40 days. The site is operating with five active cells. There are a total of eight cells available. Maintaining budgeted production levels of 5,000 tpd a cell (at a 7 meter stack height) is stacked in 20 days. At this rate of production and gold recovery, there are two cells under cyanide leach, one cell being loaded, one cell undergoing detoxification, and one cell being offloaded.

Production Improvements

As the improvement program was implemented, production levels began to increase in the latter half of 2003. By December, La Libertad produced more than 5,000 ounces and was well on its way to full production levels. Monthly production was as follows:

	Ounces of ore stacked	Grade of ore stacked	Monthly ounces stacked	Monthly ounces production
Feb-03	52,624	1.730	2,927	0
Mar-03	90,940	1.240	3,629	2,502
Apr-03	47,285	1.230	1,863	1,595
May-03	33,512	1.720	1,858	456
Jun-03	79,349	1.470	3,757	2,358
JUL-03	77,610	1.330	3,319	2,428
Aug-03	106,472	1.350	4,614	2,254
Sep-03	98,896	1.287	4,092	2,188
Oct-03	113,468	1.398	5,101	2,607
Nov-03	139,658	1.447	6,497	2,730
Dec-03	173,503	1.573	8,803	5,111
Totals	1,015,517	1.426	46,460	26,775

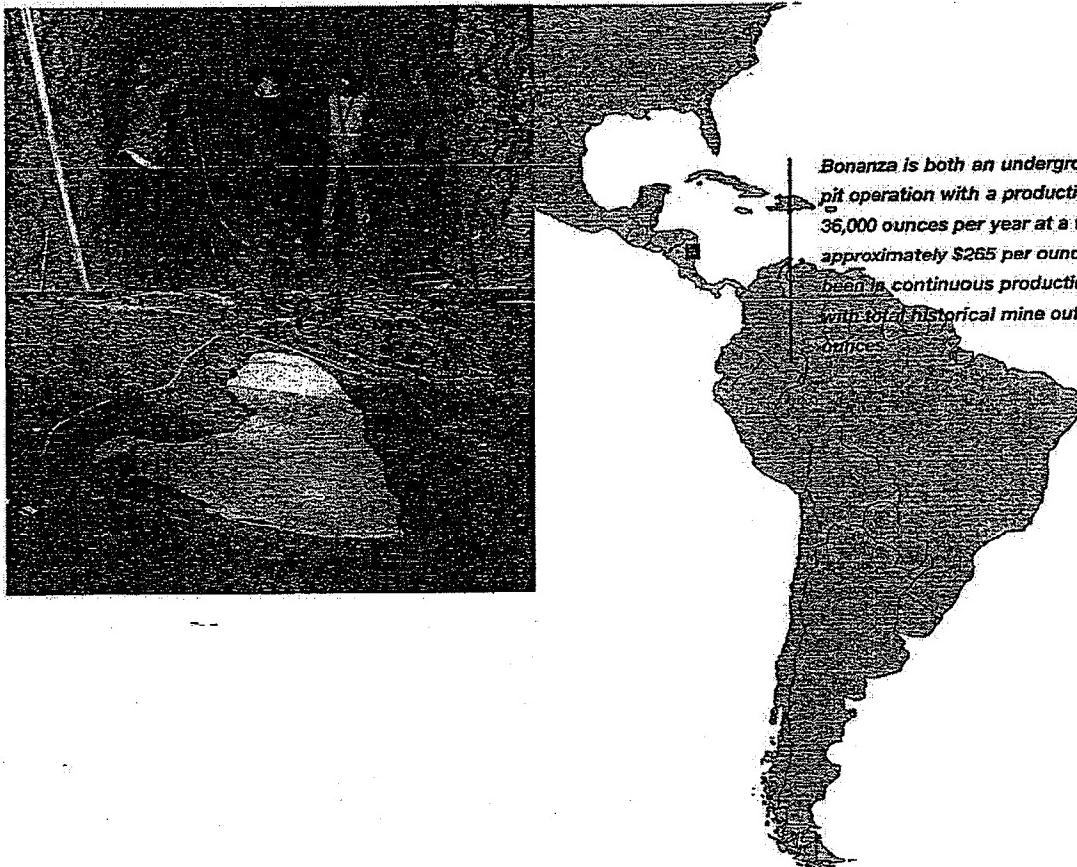
[operations]

THE BONANZA GOLD MINE

RNC used 2003 to implement an operating plan that will provide for growth and long-term stability for the Bonanza mine operation. The ultimate objective of this plan is to achieve monthly production of 3,000 ounces of gold. Elements of the plan include:

Upgrading the Counter Current Decant (CCD) Process Plant

Significant upgrading of the existing CCD plant has commenced in all sectors. A new crushing circuit, incorporating a new coarse ore bin, ore feeder, primary crusher, wash plant and crusher building is expected to be completed by the end of the second quarter of 2004. This crushing circuit will ensure crushing rates in excess of 45 metric tons per hour and reduce manpower requirements. In the milling area, two significant modifications are nearing completion. One is the installation of an 8 foot x 8 foot (ft) primary ball mill. In addition, the 7ft. x 15 ft. regrind mill is being upgraded to a 350 horsepower motor and drive train. These changes will greatly facilitate the achievement of required grind specifications as plant throughput is optimized. In the CCD circuit, all thickeners have been reactivated; this will permit re-implementation of two thickener trains to optimize leaching and washing thereby improving gold recoveries. In addition, a tailings pond study has been completed that will optimize use of the current facility and improve solution recycling and discharge procedures to diminish associated environmental impacts.



Rebuilding the Atlas/Tigre Negro Open Pit

A rebuild program has been implemented for the equipment currently mining the Atlas/Tigre Negro open pit. This program has been complemented by lease/purchase agreements that have permitted the acquisition of two new 20-tonne articulated trucks, a front-end loader and a bulldozer. This new equipment, combined with improved equipment availability has negated the need for a contractor and reduced mining costs. These reduced costs have permitted a redesign of the current pit limits increasing mineable ore resources.

Underground Mine Improvements

To improve overall mine equipment and personnel utilization, the underground mine has focused on two areas, i.e., the Capitan and Guatuzá vein systems. The acquisition of two underground diamond drills and an ambitious drilling program has allowed the mine to focus on these two areas while improving control of all underground development requirements. In addition, the mine continues its replacement program for all pneumatic handheld drills and continues to upgrade haulage and tramming equipment. These improvements in conjunction with continued training programs have achieved increased underground mine productivity and improved mine grades by reducing ore dilution.

Other initiatives

Three additional initiatives have contributed to continued improvements at Bonanza. The first is the ongoing program of contracting experienced mine supervisory personnel. These personnel additions have significantly contributed to improving operating practices. The second is a concerted effort to improve industrial safety awareness and improve the Loss Control programs covering all sectors of the mine. This initiative has contributed to reducing lost time accidents and incidents adversely affecting mine operations. The third is a significant investment in refurbishing all surface facilities especially the heavy equipment, machine and electrical shop areas. Additionally, the hydroelectric generation facilities have been upgraded and installed capacity will reach 3.5 megawatts. These facility improvements have contributed to increased productivity due to increased equipment availability in all sectors of the mine.

CERRO QUEMA PROJECT

RNC currently owns 60% of the Cerro Quema project operated by Minera Cerro Quema (MCQ). RNC can increase its ownership to 100%, at no additional cost, by placing the project into production.

A positive feasibility study was performed on the La Pava pit. Cerro Quema will be an open pit, heap leach project with a capital cost of \$14 million. The proven and probable reserves in La Pava are 6.6 million tonnes at a grade of 1.13 grams per tonne and a strip ratio of 0.91 tonnes of waste per tonne of ore. Total cash costs are projected to be \$192 per ounce of gold with average production expected to be 48,000 ounces per year. Construction is to commence in the fourth quarter of 2004 with production to commence in the fourth quarter of 2005.

RNC is currently conducting a feasibility study on the La Quemita deposit, located approximately 2.2 km. to the northeast of the La Pava pit. This study would add an approximately three years to the existing four year mine life.

In 2003 significant progress was made in advancing Cerro Quema project towards construction. These advances were primarily in the areas of engineering and preparing documentation to secure Panamanian government approval for the mine design modifications proposed by RNC Gold. In addition, a review of Operating and Environmental permit requirements was completed, to ensure compliance. Specifically, surveyors were contracted to obtain detailed topography in the areas of the proposed solution ponds, road access to the Pava open pit and the area of the leach pads. This topographic information will facilitate final design. A Panamanian consulting group performed an Environmental Audit of the project. This audit has provided the basis for a "Programa de Adecuación y Manejo Ambiental (PAMA)". A PAMA is the methodology for obtaining authorization for the design changes proposed by RNC Gold. This authorization is scheduled to be obtained during the second quarter of 2004. In December 2003, water monitoring was reinitiated in compliance with MCQ's Operating License. Submittal of this report concomitant with the submittal of a Maintenance Plan for proposed mining equipment assured compliance with all requirements under MCQ's Operating License.

| operations |

EXPLORATION

The 2004 exploration program will focus on:

- The 18,300 hectares owned by the La Libertad mine;
- The 205,000 hectares owned by the Bonanza mine;
- The 6,800-hectare Picachos property in Mexico, which is controlled 75% by RNC Gold.

The primary objectives of the exploration programs are to increase the ore reserve base of 896,122 ounces as well as to expand the 2,179,313 ounces of resources.

La Libertad, Nicaragua

La Libertad is an open pit, heap leach operation. RNC's objective is to maintain the current 588,607-ounce reserve base. In 2004, exploration will focus on areas in close proximity to the current pit, namely the Northeast Mojon extension and will investigate several additional mineralized targets along strike to the northeast and southwest. Areas located east of the La Libertad mine and just north of the La Libertad town site will also be investigated.

In April 2004, RNC acquired the rights to the Santo Domingo claims from a cooperative of small miners. The Santo Domingo claims, located approximately 6 km. to the northeast of the La Libertad mine, host a number of small-scale underground workings active since the early 1990's. The claims are next to the areas where preliminary diamond drilling has returned gold grades of 1.0 to 2.4 g/t over width of 10 to 24 meters. Prior to drilling, the initial work will consist primarily of geochemical soil surveys and limited auger sampling and resistivity surveying. Surface mapping and prospecting and rock geochemical sampling will be conducted in conjunction with soil and geochemical surveys.

Research and compilation will also be conducted to create an inventory of all the prospects identified within the mineral and exploitation concessions. There are numerous other identified vein structures that require documentation and investigation.

The proposed exploration expenditures for the La Libertad area total \$600,000 in 2004.

Bonanza, Nicaragua

The Bonanza exploitation and exploration concessions in northeast Nicaragua have produced in excess of 5 million ounces of gold over the last 80 years.

Close to the existing mine, on the Panama group of veins, RNC has been conducting surface and underground exploration diamond drilling and development to sustain production from narrow, high-grade, veins. Seventy percent of production is derived from the underground mining. During 2004, a surface drilling program was initiated to evaluate approximately 270,000 metric tonnes of mineralized structures with the potential for the delineation of an additional 52,700 ounces of contained gold.

Surface exploration including trenching has also begun on the Panama group to determine the potential for bulk mineable deposits similar to those at the La Libertad mine. On the Washington vein system, which has a strike length exceeding 2 km, a composite of two trenches encountered 0.76g Au/t over a width of 87 metres. One hundred metres to the southeast of Washington is the Neblina-Elefante Blanco vein system, which has a strike length exceeding 5 km. Preliminary surface trenching here has encountered free gold within saprolite and widths of 64 metres grading 0.58g Au/t and 78 metres grading 0.86g Au/t. Two hundred metres to the southeast of Neblina one trench across the Neptune vein returned 61 metres grading 1.78g Au/t. An extensive trenching and sampling program is currently being conducted over these three epithermal vein systems. Diamond drilling will follow, based on the detailed results of the trenching. The objective of the program is the delineation of mineralization hosting 250,000 to 500,000 ounces of gold from one or several ore bodies.

A second area of Bonanza exploration is the Gato Grande tailings project, located 5 km to the northwest of the Bonanza mill. Soil sampling in 2002 from 16 auger holes and one test pit indicated potential for at least 3 million tonnes grading 1.3g Au/t and gold recoveries ranging between 80% and 85%. Preliminary drilling in February 2004 has encountered bedrock at a depth of 10 to 12 meters suggesting a sedimentation basin of greater volume than originally estimated. A 2,000 meter drill program using sonic technology, a method applying vibrations to install soil sample tubes with minimal disturbance in unconsolidated sediments, will be used.

The total exploration budget for the Hemco concessions is \$500,000.

Picachos, Mexico

The Picachos property is situated in the southwest part of the state of Durango, Mexico. Exploration work completed to date has been successful in confirming the presence of a large low sulphidation (adularia-sericite) epithermal system that appears to be silver-gold rich with predominance of silver. The mineralization occurs as quartz veins, quartz breccias and sulphidic silicified zones hosted by silicic to intermediate volcanic rocks. Regionally the volcanic rocks occur in a caldera-like setting and display similar characteristics to the mineralization in the San Dimas district immediately to the north, which hosts the large Tayotita epithermal silver-gold deposit. Further evaluation of the Picachos property is planned for later in 2004.

| management's discussion and analysis of 2003 results |
For the year ended December 31, 2003

The following management's discussion and analysis ("MD&A") should be read in conjunction with the Company's consolidated financial statements and the related notes thereto. In this MD&A, "RNC" or "the Company" means RNC Gold Inc., its predecessor companies and its subsidiaries. The functional and reporting currency of the Company and all its subsidiaries is the United States dollar. In this MD&A, all figures are in United States dollars, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" that involve a number of risks and uncertainties. These statements are "forward-looking" because they are based on the Company's current expectations about the markets it operates in, and on various estimates and assumptions. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements if known or unknown risks affect our business, or if the Company's estimates or assumptions turn out to be inaccurate. Risks and uncertainties are disclosed throughout this MD&A and, in particular, under the heading "Risk Factors", and in the Company's Annual Information Form filed with Canadian securities regulators. The Company disclaims any intention and assumes no obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason.

OVERVIEW OF THE COMPANY

The Company is engaged in the exploration, development and operation of precious metal mines. Its primary focus is on open pit, heap leach gold mines operating in the Caribbean basin. The Company's functional and reporting currency is the United States dollar.

As at December 31, 2003 RNC owned 100% of the La Libertad mine and 80% of the Bonanza mine and concessions. Both mines are located in Nicaragua. The La Libertad mine is an open pit heap leach operation with a production capacity of 80,000 ounces of gold per year. Bonanza is principally an underground gold mining operation with a standard mill. The production capacity of Bonanza is currently 31,000 ounces per year.

In addition, subsequent to year end, RNC acquired a controlling interest in the Cerro Quema mine development project in Panama, and signed a letter of intent to increase its ownership in the Picachos property in Mexico from 50% to 75%. RNC also holds an option to purchase 25% of the San Andres mine in Honduras.

2003 HIGHLIGHTS

RNC completed the following significant transactions in 2003:

- Reverse take-over of Tango Mineral Resources Inc. ("Tango")
- Raised net proceeds of CAN\$14,539,622 through two private placement offerings.
- Acquired an additional 50% of Desarrollo Minero de Nicaragua, S.A. ("Desminic"), which owns the La Libertad mine in Nicaragua.
- Acquired an additional 30% of Hemco de Nicaragua, S.A. ("Hemco")
- Entered into a letter of intent to increase its rights to the Cerro Quema project in Panama to 100%.

BASIS OF PRESENTATION

The consolidated financial statements of RNC for the year ended December 31, 2003 reflect 50% of the assets and liabilities, revenues and expenses of Hemco and Desminic for the period from January 1, 2003 to July 25, 2003 and 100% of Hemco and Desminic for the period from July 25, 2003 to December 31, 2003. The 20% non-controlling interest in Hemco is separately presented on the statement of operations and balance sheet.

For the year ended December 31, 2002, the consolidated financial statements include 50% of the assets and liabilities, revenues and expenses of Desminic and Hemco for the period from the date of initial acquisition, February 28, 2002, to December 31, 2002.

HISTORY & BACKGROUND OF RNC

RNC Resources Limited ("Resources") was incorporated as a private international business corporation in Belize in March 2001. Subsequent to incorporation, Resources entered into a contract to manage the Honduran mine assets of a local bank. On April 1, 2001 Resources entered into a contract with Desminic to manage the La Libertad mine in Nicaragua.

Effective February 28, 2002, Resources acquired 50% of the voting shares of Desminic and 50% of the voting shares of Hemco.

Reverse Take-Over of Tango

RNC entered into a letter of intent to acquire Tango on May 12, 2003. The shareholders of Tango approved a 25 to 1 share consolidation, and each Tango share was exchanged for one unit of RNC, with each unit consisting of a common share and one-half of a common share purchase warrant. Effective December 4, 2003, the date of the acquisition, the shareholders of Tango received 1,208,897 common shares and 604,449 warrants of RNC (7% of the total outstanding), while RNC shareholders held 15,897,500 common shares and 8,776,174 warrants of RNC (93% of the total outstanding). One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005.

For accounting purposes, the business combination of RNC with Tango was accounted for using the reverse take-over method of purchase accounting. RNC was deemed to be the acquirer since the original shareholders of RNC became owners of more than 50% of the voting shares of Tango.

Resources Reorganization

Effective July 25, 2003, prior to the closing of Resources' acquisition by RNC, Resources completed a reorganization whereby certain of its assets and liabilities were acquired by RNC (Management) Limited ("RNC Management"), and RNC (Honduras) Limited ("RNC Honduras"). RNC Management and RNC Honduras remain related parties of RNC, as the shares of these companies are held by certain senior executives of RNC.

Pursuant to an agreement between Resources and RNC Management, RNC Management acquired, in exchange for assuming certain liabilities of Resources, certain assets from Resources including all of the issued and outstanding shares of Desarrollo Mercantiles, S.A., a Honduran company, and the rights to the construction and operations management of the Cerro Quema mining project contemplated in an agreement dated January 1, 2002 between Resources and Carena Equities Corporation.

Under the agreement between Resources and RNC Honduras, RNC Honduras acquired from Resources an option to purchase 25% of the issued and outstanding shares of Minerales de Occidente S.A. ("Minerales"), a Honduran company that owns the San Andres mine.

Share Purchase Agreement between RNC and Resources

RNC was incorporated on February 17, 2003. On May 9, 2003 RNC and the shareholders of Resources executed a letter of intent that contemplated the acquisition by RNC of all of the issued and outstanding shares of Resources. Pursuant to a share purchase agreement dated July 25, 2003, RNC acquired all of the issued and outstanding shares of Resources. In satisfaction of the purchase price, RNC issued 6,620,000 RNC shares and 3,310,000 common share purchase warrants of RNC to the shareholders of Resources. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005. Accordingly, the comparative financial and other information presented herein relates to the activities of Resources.

| management's discussion and analysis of 2003 results |

Purchase of Interests from Auric Resources Corp.

Pursuant to a share and debt purchase agreement dated July 25, 2003 between Resources and Auric Resources Corp. ("Auric"), Resources increased its indirect interest in Desminic from 50% to 90% and in Hemco from 50% to 80% by purchasing all of Auric's interest in Desminic and 75% of its interest in Hemco. Subsequently, Resources transferred the purchased securities of Desminic to Central American Mine Holdings Limited ("CAMHL") and transferred the purchased securities of Hemco to RNC Hemco Limited ("RNC Hemco"). Resources also acquired the right to purchase 40% of the indebtedness owed by Desminic to Auric. The aggregate purchase price was \$5,500,000 plus the issuance of 180,000 units, for total consideration of \$5,759,200. This price was satisfied by \$180,000 cash, the issuance by RNC of 1,949,485 units (which includes the initial 180,000 units) and the obligation to pay Auric \$2,750,000 on or before June 30, 2004. Each unit was priced at CAN\$2.00 and consisted of one common share and one-half of one common share purchase warrant of RNC. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005. As security for the June 30, 2004 payment, Resources pledged 20% of its shares of Desminic and the Hemco mining concessions to Auric. Any amounts received by Auric with respect to such indebtedness shall be applied against the remaining purchase price owed by RNC until the purchase price is paid, at which time the debt described above will be re-assigned to RNC.

Additionally, on the sale of its common shares of RNC, should Auric receive a net price in excess of approximately CAN\$2.00 per common share, the excess will be used to reduce the June 30, 2004 obligation. During January 2004, Auric's shareholdings were sold for a net price of CAN\$2.76 per share. Accordingly, the Company reduced its June 30, 2004 obligation to Auric by approximately \$980,000. This gain on partial settlement of the obligation to Auric will be recognized in the first quarter of 2004 as an increase in contributed surplus.

In addition, management intends to satisfy the outstanding obligation to Auric through the partial use of the proceeds of the financing that was finalized in the second quarter of 2004.

San Andres Option

RNC holds an option to acquire all of the shares of RNC Honduras, a Belize incorporated company, which owns 25% of the shares of Minerales, a Honduran company. Minerales owns all of the assets and concessions of the San Andres mine in Honduras. The current shareholders of RNC Honduras are the same as the shareholders of RNC Management. Further, RNC Management is the manager of the San Andres mine.

The option price is to be determined by future negotiation between the parties, but in the absence of an agreement, the option price will be determined by an arbitrator appointed by the President of the Canadian Institute of Mining, Metallurgy and Petroleum pursuant to the Arbitration Act, 1991 (Ontario). The option expires on January 24, 2005.

It is the intention of the management of RNC, subject to a due diligence review of the San Andres mine, to negotiate the acquisition of the remaining 75% interest in Minerales, which is held by an arm's length third party, in order to indirectly acquire a 100% interest in the San Andres mine. It is anticipated that the price as determined by the negotiation with this third party would be the basis for determining the option price as described above.

Purchase of Interest in the Cerro Quema Project

-- Effective July 25, 2003, RNC acquired a 10% interest in the Cerro Quema project, a mine development project located in Panama. On February 12, 2004 RNC executed an agreement to increase its equity interest in the Cerro Quema property from 10% to 60% for consideration of an immediate payment of \$260,000 to the seller, a payment of \$350,000 to the seller in the second quarter of 2004 and the issuance of the equivalent of 900,000 common shares and 450,000 common share purchase warrants. One full warrant is exercisable for one common share of RNC at CAN\$2.25 until December 4, 2004 and CAN\$2.50 thereafter until expiry on December 4, 2005. The transaction was executed on April 6, 2004 and the share consideration was issued to the vendor. Management anticipates that the remaining payment of \$350,000 will be settled through partial use of the proceeds of the financing that took place in the second quarter of 2004.